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District and 18 States Urge Consumer Financial Protection Bureau to Protect Banking Consumers' Access to Justice

Letter Urges Rule to Prevent Banks from Forcing Customers into Binding Arbitration

WASHINGTON, D. C. – Attorney General Karl A. Racine today joined his peers from 18 states in sending a letter to the Consumer Financial Protection Bureau (CFPB) urging the agency to adopt rules that would limit the use of arbitration clauses in consumer financial products and services contracts and increase transparency in the arbitration process overall. Use of these clauses can effectively prevent consumers from suing their bank or other financial institution over wrongdoing.

Many contracts required to purchase common consumer financial products, like credit cards and bank accounts, include these mandatory arbitration clauses. The clauses prevent consumers from joining class-action lawsuits – making it more difficult for consumers to sue corporations, particularly if the individual amounts of money in dispute are relatively small. In March 2015, the CFPB released a study that showed that very few consumers ever bring – or think to bring – individual actions against their financial service providers either in court or in arbitration.

“Consumers must have reasonable access to courts when they have been wronged by their bank,” Attorney General Racine said. **“The ever-increasing use of binding arbitration agreements has severely reduced the ability of consumers to protect themselves by going to court. We are urging the CFPB to adopt these rules to provide much needed oversight and help retain consumers’ access to the justice system.”**

The letter was co-authored by Attorney General Racine and his counterparts in California, Massachusetts and New York. The letter, joined by 15 other states, urges the CFPB to adopt rules that would protect consumers by preventing financial companies from including mandatory arbitration clauses that prohibit class action lawsuits. The proposed rules would also require financial companies that use arbitration clauses to submit data to the CFPB concerning arbitration claim filings and awards, enabling the CFPB to better monitor and evaluate the impact of arbitration clauses on consumers.

A copy of the letter is attached.

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